

Prenegotiation Audit of Negotiated Engineering and Design Related Service Contracts

UDOT 03-1

Effective: August 10, 1973

Revised: December 15, 1995

Purpose

To establish the policy and procedure and to place responsibility for the selection of negotiated engineering and design related service contracts which are consistent with the Code of Federal Regulations requirements.

Policy

The Utah Department of Transportation will require a prenegotiation audit of all negotiated engineering and design related service contracts or agreements as stipulated below:

1. Prenegotiation audits and the resultant audit opinions are required for all engineering and design related service contracts expected to exceed \$250,000.00 and for contracts of less than \$250,000.00 where:
 - a. There is insufficient knowledge of the consultant's accounting system;
 - b. There is previous unfavorable experience regarding the reliability of the consultant's accounting system; or
 - c. The contract involves procurement of new equipment or supplies for which cost experience is lacking.
2. The use of an independent audit, an audit performed by another state/federal agency or an audit performed by another local governmental agency is acceptable if the information is current and of sufficient detail.
3. Prenegotiation audits may be waived when sufficient audited consultant data is available to permit reasonable comparison with the cost proposal.

UDOT shall ensure that procurement actions by or through other State agencies or local agencies comply with this policy when Federal-aid highway funds participate in the contract.

Procedures

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Responsibility: Originator and/or Consultant Services Engineer

Actions

1. Evaluates the proposals for a contract or agreement and makes the preliminary selection of the consultant.
2. Determines and documents that:
 - a. The selected party is professionally qualified and is financially capable to perform the service required;
 - b. The party has properly trained and experienced personnel available to perform the services within the time prescribed; and
 - c. The party has been apprised of all applicable technical work requirements and administrative controls, including the need to comply with the Federal Acquisitions Regulations (48 CFR).
3. If the proposed costs are expected to exceed \$250,000.00 or it is otherwise determined a need exists for a prenegotiation audit, submits the proposal and supporting documentary file to the Internal Auditor with a request to perform a prenegotiation audit.

Responsibility: Internal Audit Section

4. Performs the audit and prepares a prenegotiation audit report with an opinion on the propriety of the proposed amounts and the acceptability of the firm's accounting system to accumulate, allocate and segregate allowable costs.

Responsibility: Originator and/or Consultant Services Engineer

5. Uses the prenegotiation audit report information in conducting contract negotiations with the consultant.